Introduction

The study of economics is based on the simple fact that there are more needs than resources in our world. Economics is therefore the science of optimising the use of scarce resources to meet the greatest amount of needs possible. If resources were unlimited and needs small, no requirement for optimisation, efficiency or economy would in fact exist.

This problem is more acute in Africa than elsewhere in the world. Africa is poor and her economies are weak. On the other hand, Africa faces a myriad of social and developmental challenges. To meet these challenges requires the most efficient use of available resources according to well-planned strategies and the collective determination of priorities.

Defence economics – as a sub-section of the broader field of economics – is focused on that part of the economy that involves defence-related issues, such as the level of national defence spending, the impact of defence spending on the economy, the opportunity cost of defence spending on social welfare and development, the spin-off for the technology of the country and, ultimately, the implications of defence spending on national, regional and international peace and stability.

Most of these factors are external to the defence department and relate to the relationship between the department and its external environment. Defence economics also addresses the matter of defence resource management within defence departments to ensure the most efficient utilisation of the defence allocation. As the worldwide demand is for decreased defence spending and more spending on social and developmental priorities, the most efficient management of the scarce resources available for defence becomes increasingly important. The concept of ‘more bang for the buck’ becomes a driving factor in defence planning, programming and budgeting.

It is for this reason that the study of defence economics must also address the management of defence resources. This entails effective planning, programming, budgeting and financial control, as well as transparency and accountability in defence resource management.
The challenge

The challenge that this presents to the defence establishments of Africa is to ensure maximum efficiency in the use of the resources allocated to them. This cannot be done if defence policy, planning, budgeting and expenditure control processes are opaque and non-accountable. National priorities can only be determined and met in an environment where all objectives and expenditure of the state are visible and where officials are held accountable for the use of resources allocated to them.

The African reality

Unfortunately, this is not the current situation in Africa. In general, defence planning, budgeting and expenditure control processes and practices are poorly developed and non-transparent. Off-budget military spending is widespread and a significant portion of military spending is concealed from public scrutiny. The main reasons why governments prefer not to reflect this information are:

- the actual and perceived needs for secrecy in matters related to arms procurement and military strengths;
- the difficulty in motivating military spending in the light of the social and developmental needs of their people;
- the demands of international bodies and donor countries for reduced defence expenditure before providing developmental aid;
- the use of military expenditure for protecting the interests of the privileged elite. Otherwise stated, the information is withheld to hide corruption; and
- the data is simply not available or accurate due to poor national and defence budgetary and fiscal control processes, procedures and practices.

The major ruses used to disguise military expenditure in African countries are the misuse of contingency funds, top-up budgets not discussed in parliament, poor breakdowns of defence programmes and budgets that cause poor visibility on the intended use of funds and the budgeting for military expenditure under other national departments, such as acquisition and maintenance of military land and infrastructure budgeted for under the Public Works Department and personnel costs, such as medical and pensions, budgeted for under the Department of Social Welfare.

There are also ways in which military income is boosted without doing so through the formal budgeting processes. Such income should ideally go to the treasury for disbursement according to national priorities or should be indicated as income in the defence budget. Some of these methods are direct financing of the military in the field through extraction of natural resources,
security levies that are raised from citizens and businesses, the non-declaration of foreign military assistance and direct involvement of the military in illegal activities such as smuggling, protection rackets and trafficking in drugs, arms, precious stones, etc.

Few formal budgeting processes exist in the defence establishments of Africa. Parliamentary oversight of military budgets is generally weak and external auditing is seldom done. There is also little involvement of civil society in defence policy processes. These practices are clearly sub-optimal and indicate that there is very little efficiency in defence budgeting in Africa and that there are many opportunities for diverting money to uses for which it was not intended. This situation clearly requires the development of programmes to improve the management of defence policy, planning and budgeting processes in Africa.

**Rationale for defence spending**

All governments have two fundamental responsibilities towards their people: these are to ensure their well-being and their security. It can also be stated that governments are in the business of creating the preconditions for the generation of wealth and prosperity and for ensuring the protection of such prosperity. The well-being of a people and their security cannot be sub-divided. Lack of security, the inability to protect ones values and valuables, the feeling of vulnerability and exposure to the whims of others, is fundamentally counter to the concept of well-being. In reality, the modern concept of ‘human security’ – that is, security against want, suffering, environmental degradation and the miscarriage of justice and human rights – is inseparable from the concept of well-being.

Further to this, the well-being of a country and its people is also dependent on foreign investment and trade. It is a fact that countries do not invest in other countries if they have no confidence in the security of their investments. This investor confidence is influenced by the perceptions of the long-term stability and security that they have of the country in which they invest. Two factors influencing this confidence are internal peace and stability, and the capacity of a country to defend and protect its (and their) interests.

These arguments for defence spending are often countered by arguments about the non-existence of immediate physical threats, the existing conditions of regional and international peace and the dire need for spending on social and developmental priorities. Although no argument can be found against the priority for spending on social upliftment and development, the argument for ‘closing down’ defence is extremely dangerous. It presumes that ‘nothing can go wrong – go wrong – go wrong’, and has been proven to be unrealistic by every major conflict in the history of the world. A cursory look at present events in the Balkans, the Middle East, the India/Pakistan sub-continent, the Horn of Africa and Central Africa, amongst others, as well as the so-called ‘war on terror’, belies the achievement of ‘peace in our time’.
A degree of insurance against uncertain eventualities and the unpredictability and stupidity of man is still required. As a result, all responsible states will, for the foreseeable future, invest in ‘the defence and protection of the state, its territorial integrity and its people’. Further to this, the assurance of security also lies in the prevention, management and resolution of conflicts and potential conflicts and in the provision of essential and emergency services to civil society. Defence forces are increasingly being used to support diplomatic efforts in conflict resolution and management through deployments on peace support operations and in the provision of essential services and disaster relief. These roles need to be factored in when debating the rationale for defence spending.

To balance the conflict between requirements and resources, all defence planning must therefore be based on a ‘needs-driven but cost-constrained’ approach. The ultimate challenge in this approach is to find the most efficient, cost effective, best value-for-money and optimal solution to the defence output over input equation.

**Determinants of the level of defence spending**

The total level of defence spending by a country will be determined by many factors, both objective and subjective. These include the following:

- The strategic environment and threat perception of a particular country at any particular time. Obviously, the more stable and peaceful the environment, the less motivation there will be to spend on defence. This creates the problem of short-term focus on defence and crisis management when things go wrong.

- The view of government regarding its responsibilities towards the social, developmental and protective functions of the state and the relative priorities accorded these functions. This is dependant on historic, cultural and strategic factors and will vary from state to state.

- The perceived opportunity cost of defence spending. The more the social and developmental demands that are placed on government, the higher the opportunity cost of defence becomes. There will therefore be a tendency for poorer and less developed countries to give preference to social and developmental spending at the cost of defence. The balancing factor in this case must be also to determine the ‘opportunity cost of not spending on defence’. This implies the determination and acceptance of the associated risk.

- The extent to which governments wish to employ their defence forces to support diplomatic initiatives (for example, peace support operations) and as instruments for disaster relief and the provision of essential services.
• The size of the national budget. Regardless of the need, defence spending will always be limited by the available national income. This simply implies that defence policy and strategy must be aligned with the dictates of the feasible. Defence policy and strategy must be made within the confines of the freedom of action that the national power base allows.

• Defence spending spin-offs. Where positive spin-offs for the economic, technological and social development of the country can be obtained, defence spending will receive stronger national support. It is therefore to the advantage of defence strategists and planners to seek positive ways and means to enhance spin-offs on defence spending.

Increasing defence capacity and efficiency in Africa

As was stated in the introduction, economy is all about the optimal use of scarce resources to meet the many needs of people. In Africa, this is of crucial importance due to the great need for social upliftment and development, and the relative scarcity of financial resources. Due to this, African militaries are under great pressure to cut down on defence budgets, while they are still expected to execute their, and related, functions on a continent where insecurity and strife abound. This means that for African militaries to survive, they have to optimise management processes as well as their policies, plans and budgets for improved resource planning and utilisation. Some areas that need to be addressed are discussed below.

Governance

Good defence management and healthy civil–military relations are premised on the assumption of the existence of good governance of the state as a whole. All too often in Africa, the problem with defence is not that the militaries are ‘out of control’ but rather that governments are misemploying their militaries for party political goals or the entrenchment of personal power. It is therefore important that the roles and functions of the militaries as well as the rules and procedures for their employment be clearly established in law and that parliaments have a clear authority in vetoing the employment of the military. The employment of the military by the ‘commander-in-chief’ or president should be constitutionally subject to parliamentary approval.

Democratic civil–military relations

Africa has a bad record of military interventions in government and militaries that are not accountable to civil authority. This has led to a general situation of poor civil–military relations. Civil society does not trust or like the military and
sees them as a power unto themselves, as not serving the national interest and as wasting scarce resources on ‘toys for the boys’. On the other hand, militaries in general think of civilians as ignorant of security matters and not trustworthy to share in ‘the affairs of defence of the state’. The challenge to defence management is to break down these perceptions and barriers and to build mutual understanding, respect and trust.

Establishing a clear role definition for defence forces

The question ‘What are the defence forces for?’ needs to be answered in Africa. The present answer is almost universally ‘to defend and protect the territorial integrity and sovereignty of the state’ or ‘to defend a country against external aggression’. Yet few African defence forces are designed or prepared for this task but are rather used for what would generally be described as ‘secondary roles’. This begs the question: What are defence forces really for? The challenge is to clarify the roles of the defence forces in the present African reality and in support of the ideals and goals of the African Union and the New Partnership for Africa’s Development. This entails:

- examining and prioritising the risks and dangers facing the continent, such as inter-state threats, intra-state threats, international terrorism, warlordism, transnational organised crime, piracy and others; and

- establishing national policies and strategies for combating these risks and dangers, defining the roles and tasks of defence forces in support of such policies and strategies and designing, equipping and preparing them accordingly.

Efficiency

Africa, more than any other region of the world, needs to ensure maximum efficiency in defence management and practice. Requirements for defence and security are high, but equally important are the requirements for social upliftment and economic development. On the other hand, resources are very scarce. It is therefore crucial that every cent spent on defence be spent as efficiently as possible.

Areas that need special attention to contribute to efficiency include the following:

- *Sustainability in defence planning*. If defence plans and programmes are not sustainable over time, this will lead to the non-maintainability and ineffectiveness of capabilities. Sustainability will only be achieved if governments commit themselves to approved defence plans, if all planning
is done on full lifecycle costing and if defence budgets are expended in the most efficient manner possible. Care must also be taken in planning to evaluate accurately the effect of currency fluctuations on the lifecycle cost of capital equipment.

• *The funding of operations.* It is not possible or desirable to budget for the execution of military operations other than routine operations that can be predicted and accurately planned well ahead of time. Most military operations come at short notice and in the running financial year for which the budgets had been developed and approved many months before. Examples are peace support missions, major disaster relief missions and even limited war. It is submitted that trying to budget for the unforeseeable will result in a misappropriation of funds. The only way to handle this problem is by creating central contingency funds that are managed by the national treasuries. For large-scale contingencies exceeding the capacity of such a contingency fund, governments will have to revise the total national budget, regarding both departmental allocations and income.

• *Tooth-to-tail ratios.* All possible efforts must be made to ensure the optimal tooth-to-tail ratio of defence forces and departments. All too often supporting structures are bloated at the cost of operational capabilities. Determination of the size and capacity of support structures can only be done once the force designs have been determined. Modern business process re-engineering techniques can assist in solving this problem, but will only be effective if top-management is committed to this cause and is ruthless in its application.

• *Direct client–supplier relationships.* In many defence forces certain structures exist for historic reasons only. The client (for example, a combat service) is forced through organisational culture or other interests to make use of the services of a particular organisation and is not allowed to ‘shop’ for this service elsewhere. This is bad practice and entrenches inefficiency. Accordingly, clients for services should be allowed freedom of choice and should be allowed to establish direct client–supplier relationships.

• *Reserve or part-time forces.* Efficiency in defence can probably be best improved with the use of reserve or part-time forces. There is little need for countries at peace to maintain large regular armies, air forces and navies. The same degree of security and risk reduction can be obtained through the formation of small but highly professional regular forces (the so-called core force concept), backed and supported by a substantial reserve capacity. This has the added benefit of enhancing defence access to other professions as well as improving civil–military relations.
• Other potential solutions for the improvement of efficiency include outsourcing and public-private partnerships, improved ‘jointery’ between services, improved management information through the use of better information technology, the better use of civilians in defence departments and improved management and leadership through education, training and development. Of these, the improvement of management information through the use of better information technology might be the most crucial aspect for the improvement of efficiency in defence organisations.

**Enhancing the professionalism of the security sector**

The challenge is to build professional and accountable security services supportive of the norms, values and needs of the African people. This entails:

• incorporating civic education programmes into security sector education, training and development;
• improving the command, leadership and management practices of the defence establishments on the continent;
• improving transparency and accountability in security sector management;
• ensuring gender and population group representivity;
• incorporating international humanitarian law in security education and legislation; and
• aligning defence with the cultural norms and values of society.

**Enhancing collaborative security**

The challenge is to move away from a competitive or national self-dependent approach to defence and security, and towards a sub-regional and regional collaborative approach to security. This entails:

• establishing regional confidence- and security-building measures, including sub-regional arms registers;
• improving the capacity of regional and sub-regional organisations to manage the diverse challenges and to strengthen their mechanisms for conflict prevention, management and resolution;
• creating a viable peacekeeping capacity on the continent;
• enhancing regional and sub-regional early warning systems;
• establishing confidence-building defence;
• establishing support for arms control regimes;
• establishing standby arrangements for peace support and other combined operations;
• establishing the maximum degree of interoperability between national security services;
developing improved regional and sub-regional managerial and command-and-control capabilities and mechanisms;

• investing in combined skills development and training through regional and sub-regional interchanges and joint exercises;

• establishing rapid reaction capabilities on the continent; and

• establishing a collective and integrated disaster management capacity.

Transparency and accountability

Transparency and accountability are crucial issues in the allocation and management of defence resources for all levels of planning, programming and budgeting. If defence resource allocation and management are not transparent, defence will never be able to achieve public support or the cooperation and support of broader government. If not accountable to government and the people, defence becomes a cause unto its own and will not be aligned with national interests and priorities. It will easily be corrupted and decision making will be easily manipulated towards self-interest. Civil involvement and control of overall budget decisions, as well as careful auditing at all levels, can help ensure that resources are actually used to accomplish policy objectives. Nevertheless, the most effective solution to this problem is a commitment at all levels to national interests and objectives and the development of clear and transparent planning, programming and budgetary processes and systems to implement them. These processes must of necessity be aligned with the national management framework, and with budgeting and accounting processes.

Transparency and accountability are enhanced through a system of performance agreements, as this relies on the definition of clear output objectives and performance standards as well as agreement as to the required resources. The system is also based on negotiation, ensuring better insight, understanding and cooperation.

Overview of the South African defence budgeting process

Fiscal management in South Africa is regulated by the constitution and national legislation. The National Treasury is empowered to coordinate intergovernmental fiscal relations and to issue treasury regulations and instructions, to prescribe the national budget preparation process, to manage the implementation of the national budget, and to play a financial oversight role over organs of state in all spheres of government. This legal empowerment has been well exercised by the Minister of Finance and the treasury, and has led to financial management and budgetary processes that conform to international best practice.

The National Treasury has also demonstrated its commitment to
transparency through its accessible website (www.treasury.gov.za) and by the manner in which the national budget is made available to the media and public.

Fiscal policy and economic reform in South Africa have led to the introduction and implementation of medium-term planning and budgeting in the form of a three-year medium-term expenditure framework (MTEF). The MTEF has brought greater transparency, certainty and stability to the budget process, and has strengthened the links between policy priorities and government’s medium-term spending plans. Treasury guidelines on the compiling of budget submissions are issued annually to all departments for the preparation of their budgets for the next MTEF cycle. This process ensures coordination between departmental and national budget development and approval through the Medium-Term Expenditure Committee (MTEC), the Ministers’ Committee on the Budget (MinComBud), cabinet and parliament.

National defence in South Africa is regulated by clear constitutional provisions and a substantial policy framework. The constitution, the White Paper on Defence and the Defence Review establish the principles of defence in a democratic South Africa, the national defence posture, the mission, functions and tasks of the South African National Defence Force (SANDF) and the policy framework for defence management. The Defence Review also determines the macro force design of the SANDF, which serves as an important input for the development of the defence plan, programmes and budget. There is presently some misalignment between the approved force design and available funds in the MTEF and this leads to difficulties in prioritising defence activities. This is being addressed by a military strategic appreciation that will need to be debated with the Portfolio Committee of Parliament on Defence (PCPD) and cabinet.

Defence planning, programming and budgeting takes place against these fiscal and defence policy frameworks. There is a clear formal planning and budgeting process in the South African Department of Defence (DoD) and this process is aligned with the national MTEF. The process runs for a period of about 18 months before implementation of the annual budget in a given financial year, and is guided by treasury guidelines. It ensures that the annual budget and medium-term estimates of expenditure are based on a strategic plan, with specific objectives, activities, outputs and performance measures, and that it is within the bounds of affordability.

The planning and budgeting process is inclusive and iterative. It is started with the issuing of defence priorities and guideline by the Minister of Defence and the Secretary for Defence (civilian Head of Department) and is developed down through the top-level budget holders to unit level, to ensure accurate costing of activities. The process includes internal evaluation and approval steps at various levels, and as such ensures alignment with political and departmental priorities. External to the DoD, the departmental strategic plan and budget is evaluated by the MTEC, the MinComBud, the PCPD, cabinet and parliament.
Oversight and control over the implementation and execution of the military plan and budget is ensured both internally and externally. Internally, control measures include the normal control function of superiors over their subordinates, regular assessment of the in-year execution of the budget against the plan, and an internal audit by the Defence Inspectorate that reports to the Secretary for Defence. Externally, oversight and control is exercised by the Minister of Defence, the National Treasury, the Auditor-General and the PCPD.

The military planning and budgeting process in South Africa is largely transparent. Defence policy, on which planning and budgeting rests, was developed in an exceptionally transparent manner. The departmental plan and budget are scrutinised by the MTEC, the MinComBud, the PCPD, cabinet and parliament. The DoD strategic plan and the defence vote are made available to the public on the websites of the DoD (www.mil.za) and the National Treasury. Programme Nine of the defence budget, the Special Defence Account, provides for the acquisition of defence equipment and strategic armaments, the maintenance of required defence capabilities and the financing of sensitive defence activities. Less detail on this programme is made public as compared to the other programmes, but the programme is scrutinised and approved by the ministers of Defence and Finance as well as by the PCPD in a closed session.

The South African defence budget largely represents the economic resources devoted to military activities in the country. There are no paramilitary forces in South Africa and as such no military expenditure can be concealed in this manner. The only expenditure that is directly in support of the military but is not reflected in the defence budget is expenditure for the rent and maintenance of state property used by the military but reflected in the budget of the Department of Public Works.

There are some sources of income to the DoD outside the defence budget but these are relatively small. These are foreign financial and/or material aid for specific operations or projects, the sale of armaments through the special defence account and the reimbursement by the United Nations (UN) for peace support operations. Clear procedures for the receipt of such aid exist and such incomes are reflected in the DoD annual financial statements and annual report. The DoD budget does not contain contingency funds. Such funds are held centrally by the Minister of Finance, and in the case of unforeseen contingencies for which the SANDF is employed, the DoD can make representations to the National Treasury for such funds.

The DoD budget does include some defence expenditure for non-military purposes. This is mostly for the support of the South African Police Service for the maintenance of internal law and order, support to civil authority for the preservation of life, health and property in emergency situations, the maintenance of essential services and the execution of search and rescue operations. Where possible such expenses are reimbursed to the DoD. South Africa does not presently provide direct military aid to any other country.
Institutional mechanisms for controlling and monitoring defence expenditure

Political oversight over the budget

Substantial forums and procedures exist to ensure political oversight over the defence and other national budgets. This is to ensure that the political executive accepts responsibility for budget planning and prioritisation and that policy priorities are linked to departmental spending plans and the delivery of services. In South Africa, the key role players in this process of political oversight of the defence budget are:

The Minister of Defence

The Minister of Defence is the political head of the DoD. He/she is designated as the ‘executive authority’ for the defence budget by the Public Finance Management Act. As such, the minister has the primary responsibility for political oversight of the defence budget. He/she is responsible to ensure that political priorities are linked to departmental spending plans and the delivery of service and to determine departmental priorities. The executive authority is responsible to ensure that the department performs its statutory functions within the limits of the funds authorised for the relevant vote.

The Ministers’ Committee on the Budget

The Ministers’ Committee on the Budget (MinComBud) is a formal cabinet committee comprising appointed ministers. The MinComBud evaluates medium-term expenditure allocation recommendations from the MTEC and formulates its own recommendations for submission to cabinet. The committee considers government’s policy priorities, the macroeconomic and fiscal framework, the division of revenue, the draft Medium-Term Budget Policy Statement and the Medium-Term Expenditure Allocations to national votes before submitting recommendations to cabinet.

The Portfolio Committee of Parliament on Defence

The Portfolio Committee of Parliament on Defence (PCPD), comprising members of all political parties represented in the National Assembly, ensures parliamentary oversight of the defence budget. The PCPD is responsible for:

- evaluating and confirming the programmes and sub-programmes of the department;
- evaluating and confirming the policy choices and priorities of the department;
• evaluating the estimate of national expenditure of the department;
• confirming the explanatory memorandum of the department; and
• making resolutions on the defence budget allocation, for submission to the
  MinComBud and/or cabinet, as deemed necessary.

Cabinet
Cabinet evaluates the MinComBud’s recommendations against the medium-
term guidelines and priorities of government and considers the submissions of
the PCPD. This process provides an opportunity for the respective cabinet
ministers to ensure that the budget reflects the political objectives of
government.

Departments are required to advise the National Treasury and cabinet early
during the budget process about any significant policy priority shifts within
their environments. Cabinet may then wish to provide guidelines regarding
policy priorities, which departments should take into account while preparing
and finalising their budget planning submissions.

Parliament
After approval by cabinet, the Minister of Finance tables the national budget
before parliament during February of each year. Cabinet ministers also present
their respective budget votes for approval by parliament. Parliament, besides
approving the respective budgets, also has the opportunity to evaluate the
budget objectives against the policies and priorities of government.

Other control mechanisms
The National Treasury
The National Treasury plays a key technical role in the national budgetary
process and guides the budgeting process of all departments. The National
Treasury is responsible for:

• identifying the overall level of spending that can be afforded within the
government’s macroeconomic and fiscal framework;
• evaluating departmental policy options and budget planning submissions;
• presenting comments and views on proposed departmental options;
• developing an MTEF;
• negotiating allocations, reprioritisation and funding levels of programmes/
  activities, including possible savings;
• making recommendations to the MTEC; and
• presenting the national MTEF to the MinComBud.
With regard to all budgeting matters in the DoD, the office of the Chief Financial Officer acts as the nodal point between the department and the National Treasury. No budget holder or other official of the DoD is allowed to discuss with or submit budget matters to the National Treasury on behalf of the DoD without the permission of Director Budgeting. The Director Defence Programme of the Treasury is invited to participate in the departmental budgeting process.

The Medium-Term Expenditure Committee

The Medium-Term Expenditure Committee (MTEC) is chaired by the director-general of the National Treasury and comprises senior officials of the National Treasury as well as representatives of key central departments, including the Presidency, the Department of Public Service and Administration and the Department of Public Works. The committee evaluates departmental proposals and compiles recommendations to the Minister of Finance and MinComBud for presentation to cabinet. The MTEC is responsible for:

• evaluating departmental budget planning submissions based on policy and budgetary options, taking into account the available resources stated within the macroeconomic and fiscal framework, as well as the set of MTEF policy priorities agreed to by cabinet at the start of the annual budget cycle;
• compiling recommendations to the MinComBud with regard to changes to the MTEF;
• identifying risks which are not accommodated within the MTEC recommendations, but which pose potential claims on available resources; and
• compiling a draft memorandum to cabinet explaining the MTEC recommendations, given the available resources and government's MTEF policy priorities.

The Auditor-General and the Parliamentary Standing Committee on Public Accounts

Internal auditing of the defence budget and expenditure is done by the internal auditors reporting to the Inspector General, who in turn reports to the Secretary for Defence. To further ensure objectivity and impartiality, the Secretary for Defence has appointed an independent Audit Committee, which is empowered to direct the work of the internal auditors.

External auditing is done by the Auditor-General. The Office of the Auditor-General is one of the state institutions supporting constitutional democracy, as set up by Chapter 9 of the South African Constitution. The constitution guarantees the independence and impartiality of the Auditor-General. The
president appoints the Auditor-General statutorily as the independent auditor of the executive authority. The Auditor-General’s appointment, conditions of service, powers, duties and related matters are covered by the constitution and the Auditor-General Act, 1995 (Act 12 of 1995). The Auditor-General reports to the Parliamentary Standing Committee on Public Accounts.

Government auditing involves the investigation and/or evaluation of financial management practices, financial statements, performance and compliance with requirements by government and related institutions. The objective is to form an opinion on whether the financial statements fairly present the results of the operations of the institution being audited at a given time and whether laws and regulations have been complied with. It also forms an opinion on control to ensure that public funds and assets are safeguarded, accounting systems are functioning properly, and public monies are spent effectively.

The DoD budgets R25 million annually for external auditors, which are appointed by the Auditor-General. DoD financial statements are audited and audit reports are incorporated into the DoD annual report. The DoD annual report, including the report of the Auditor-General on the financial statements of the DoD, is published on the DoD website.

**Transparency**

There is substantial transparency in the South African DoD policy, planning and budgeting processes. This has been assured mostly by the clear constitutional commitment to transparency, by the national fiscal legislative framework and by the unequivocal role that was played by the parliamentary defence committees during the development of defence policy post-1994. Transparency in defence and fiscal management is made apparent by the manner in which the White Paper on Defence and the Defence Review were developed and approved, by the availability of the DoD strategic plan, annual report and the defence vote to the public and by the high degree of openness practiced by the National Treasury.

**Defence policy**

The establishment of national defence policy in South Africa after 1994 was done through two main processes that led to the approval by parliament of the Defence White Paper in 1996 and the Defence Review in 1998. These two processes were highly consultative and transparent. Since completion of these processes, further defence policy processes and the drafting of defence and defence-related legislation have seen a continued involvement of the parliamentary defence committees. These include the development of the Defence Bill, the Conventional Arms Control Bill, the Mines Ban Bill, the
Policy development and approval processes are presently well coordinated internal to the DoD as well as inter-departmentally. Before policy is approved at the Plenary Defence Staff Council it must be certified that all stakeholders have been consulted and that it is compliant with other policy. Also, before cabinet approves policy it must have been approved by the respective sectoral clusters at director-general and ministerial levels to ensure alignment.

The national budget

The national budget is open to the public in general and is widely published. The National Treasury runs a user-friendly website (http://www.treasury.gov.za/). The full national budget is available on this website, as well as treasury regulations and guidelines governing the budgetary process. The site also includes a facility where the general public can interact with the Treasury through hints and general comments.

The DoD strategic plan and budget

The DoD strategic plan and the detailed budget are developed within the DoD, as described earlier in this paper. These processes are based on approved defence policy and guidelines received from cabinet and the sectoral clusters at ministerial level. During these processes there is considerable interaction with the National Treasury, the Minister of Defence and the other state mechanisms designed to ensure alignment of departmental budgets with national objectives and priorities. There is, however, no direct involvement of, or consultation with, broader civil society during these processes.

Annually, on completion of the DoD Strategic Plan and the Defence Budget, these are published and openly distributed: the DoD Strategic Plan is available on the DoD website (www.mil.za) and the Defence Budget on the website of the National Treasury (www.treasury.gov.za).

The programme structure of the DoD budget

The strategic plan of the department provides for a number of strategic objectives and expected outcomes. For budgeting purposes, these objectives are reflected as main or sub-programmes, for which programme managers are assigned. The aim of the programme structure is to indicate the purpose of expenditure or the purpose for which funds are being requested. It indicates the kind of capabilities, goods or services which the department plans to provide or deliver, the objectives that the department wants to achieve and the activities that need to be executed to achieve the objectives and to deliver the
capabilities, goods and services. This programme structure allows for good transparency and accountability in the budget.

The Special Defence Account

The Special Defence Account was instituted in terms of section 1 of the Defence Special Account Act, 1974 (Act 6 of 1974), to defray the expenditure and purchases incurred for special defence activities, as approved from time to time by the ministers of Defence and Finance. The programme provides for the acquisition of defence equipment and strategic armaments, the maintenance of required defence capabilities and the financing of sensitive defence activities.

By promulgating the Defence Special Account Act, the legislature recognised that the DoD has certain activities that have to be dealt with in a special way. The act is not unique. Other similar acts exist, these being specified in the Auditor-General Act as being for the Police Services and Intelligence Services. Funds are appropriated by parliament during the defence vote on the recommendation of the ministers of Defence and Finance. An additional source of income for the Special Defence Account (SDA) is the proceeds from the sale of armaments which have been purchased with SDA funds, no longer required by the DoD.

The DoD Strategic Plan and Budget indicate four sub-programmes in the special defence account, namely: procurement services, strategic defence procurement, operating services and intelligence related. By far the largest amount of this account (96%) is associated with the procurement of defence equipment over the longer period. This includes the much publicised and debated strategic arms procurement programme that was approved by cabinet. The sub-programme for operating services is for the maintenance of equipment. No outputs or targets are indicated for the ‘intelligence related’ sub-programme: this amounts to about 0.6% of the SDA or 0.3% of the defence budget.

Tips for optimising defence budgeting in Africa

African militaries are under great pressure to cut down on defence budgets, while they are still expected to execute their functions on a continent rife with insecurity and strife. This means that for African militaries to survive, they have to optimise their policies, plans and budgets for improved resource planning and utilisation. Some areas that need to be addressed are discussed below.

• At national level, African countries must established proper oversight and control bodies and measures over defence plans and budgets.

• National treasuries should be empowered to coordinate all budgeting processes and to prescribe rules and procedures.
• Defence policy should be developed to ensure that plans and budgets are aligned with national objectives and activities.

• Defence departments must be assisted to develop planning, budgeting and expenditure control systems that are aligned with modern best practice.

• Efficiency improvement measures need to be employed. Special attention should be given to tooth-to-tail ratios, the use of part-time forces, improved ‘jointery’ between services, improved management information, and improved management and leadership.

• Civil society should be empowered to contribute to the defence debate in Africa.

• Collective security should be enhanced by moving away from a competitive or self-dependent approach to defence and security, and towards a sub-regional and regional collaborative approach to security.

Conclusion

Militaries in Africa are generally a power unto themselves, not transparent to civil society and inefficient. Defence budgets are closed to public scrutiny and very little control is exercised over defence expenditure. In general, defence management is not aligned with the principles of defence in a democracy. As a result, it is very difficult to obtain a clear picture of the extent of military expenditure. It is equally difficult to obtain insight into the processes and practice of defence planning, programming and budgeting. This indicates that there is much to be hidden and most probably gross inefficiency and mal-appropriation in the use of state monies.

As has been shown, there are many mechanisms and ruses used to disguise military expenditure as well as extra-budgetary sources of military revenue. These lead to inefficient and corrupt practices in defence budgeting and expenditure control.

The paper has, however, found that there are examples of good practice in defence planning and budgeting and that mechanisms for oversight and control do exist. South Africa is a good example in this regard. More research is, however, required to obtain better insight into the processes by which military spending decisions are made in Africa, in order to monitor and strengthen these processes or to encourage the creation thereof where they do not exist.

Lastly, the paper has made some recommendations regarding the priority areas to be addressed to improve defence management in Africa in general, and the defence planning and budgeting processes in particular. Defence budgeting and expenditure can be optimised and resource allocation improved by:
establishing good governance in the defence sector; establishing democratic civil–military relations; establishing defence policies aligned with the challenges facing the region, including a clear role definition for the military forces; improving efficiency in defence management; enhancing the professionalism of the defence sector; and by strengthening collaborative security in the region.